

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2006-3-E**

August 14, 2006

IN RE:

Duke Power Company LLC d/b/a	)	
Duke Energy Carolinas, LLC	)	<b>SETTLEMENT AGREEMENT</b>
Annual Review of Base Rates for	)	
Fuel Costs	)	

This Settlement Agreement is made by and among the Office of Regulatory Staff of South Carolina ("ORS"), South Carolina Energy Users Committee ("SCEUC"), and Duke Power Company LLC d/b/a Duke Energy Carolinas, LLC ("Duke") (collectively referred to as the "Parties" or sometimes individually as a "Party").

WHEREAS, the above-captioned proceeding has been established by the South Carolina Public Service Commission ("Commission") pursuant to the procedure in S.C. Code Ann. §58-27-865 (Supp. 2005), and the Parties to this Settlement Agreement are parties of record in the above-captioned docket. There are no other parties of record in the above-captioned proceeding;

WHEREAS, the Parties have engaged in discussions to determine if a settlement of the issues would be in their best interests;

WHEREAS, following those discussions the Parties have each determined that their interests and the public interest would be best served by settling all issues pending in the above-captioned case under the terms and conditions set forth below:

1. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony of ORS witnesses M. Anthony James and Jacqueline R. Cherry, without objection or cross-examination by the Parties, subject to questions from the Commission. The Parties also agree to stipulate into the record before the Commission the redacted and unredacted pre-filed direct testimony of Duke witnesses M. Elliott Batson, Ronald A. Jones, William R. McCollum, Jr. and Janice D. Hager, without objection or cross-examination by the Parties, subject to questions from the Commission. The Parties agree that no other evidence will be offered in the proceeding by the Parties other than the stipulated testimony and this Settlement Agreement. The Parties agree to present all witnesses at the scheduled hearing in this matter.

2. ORS analyzed the cumulative over-recovery of fuel costs that Duke had incurred for the period July 2005 through June 2006 totaling \$6,984,672. ORS added the projected under-recovery of (\$6,631,182) for the month of July 2006, the projected under-recovery of (\$5,305,337) for the month of August 2006 and the projected over-recovery of \$29,328 for the month of September 2006, to arrive at a cumulative under-recovery of (\$4,922,519) as of September 2006. Duke's cumulative over-recovery, per its testimony in this docket, as of June 2006 totals \$6,987,000, and as of September 2006, the cumulative under-recovery totals (\$4,920,000). The difference between Duke's and the ORS' cumulative over-recovery as of actual June 2006 totals \$2,328 which is due to rounding. The

difference between Duke's and ORS' cumulative under-recovery, as of September 2006, totals (\$2,519) is also due to rounding. The Parties agree to stipulate to the ORS' calculations in this matter.

3. The Parties agree that the appropriate fuel factor for Duke to charge for the period beginning with the first billing cycle in October 2006 extending through the last billing cycle of September 2007 is 1.7760 cents per kilowatt-hour. Fuel costs for periods beginning on July 1, 2006, and thereafter shall be open issues for determination by the Commission in future fuel costs proceedings held under the procedure and criteria established in S.C. Code Ann. §58-27-865 (Supp. 2005).

4. The Parties agree that in an effort to keep the Parties and Duke customers informed of the over/under recovery balances related to fuel costs and of Duke's best efforts to forecast the expected fuel factor to be set at its next annual fuel proceeding, Duke will provide to SCEUC, and where applicable, its customers the following information:

(a) copies of the monthly fuel recovery reports currently filed with the PSC and ORS; and

(b) a quarterly forecast continuing November 15, 2006 of the expected fuel factor to be set at its next annual fuel proceeding based upon Duke's historical over/under recovery to date and Duke's forecast of prices for natural gas, coal, oil and other fuel required for generation of electricity. Duke will use its best efforts in making these forecasts. To the extent that the forecast data required hereunder is confidential, any party or customer that wants forecasted fuel data will have to sign a non-disclosure agreement agreeing to protect the data from public disclosure and to only disclose it to employees or agents with a need to be aware of this information.

5 Duke agrees to provide to the Commission and ORS any and all subsequent reports or other materials generated by the Nuclear Regulatory Commission ("NRC") or Duke with respect to the unresolved items listed in the June 29, 2006 NRC Inspection Report associated with the May 20, 2006 forced outages experienced by the Catawba Units.

6. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of all issues currently pending in the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

7. This written Settlement Agreement contains the complete agreement of the Parties. There are no other terms and conditions to which the Parties have agreed. This agreement integrates all discussions had among the Parties into the terms of this written document. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair their arguments or positions held in future proceedings. If the Commission should decline to approve the agreement in its entirety, then any Party desiring to do so may withdraw from the agreement without penalty, within 3 days of receiving notice of the decision, by providing written notice of withdrawal via electronic mail to all parties in that time period.

8. This agreement shall be interpreted according to South Carolina law.

The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature

represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

Representing and binding the Office of Regulatory Staff:

*Wendy B. Cartledge*

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(Signature Pages Follow)

Representing and binding South Carolina Energy Users Committee:

A handwritten signature in black ink, appearing to read 'Scott Elliott', with a long horizontal stroke extending to the right.

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Representing and binding Duke Power Company LLC d/b/a Duke Energy Carolinas, LLC:

A handwritten signature in black ink, appearing to read "R. L. Whitt", is positioned above a horizontal line.

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